

# Commissioner Stewart Provides Information About Annuities During National Retirement Planning Week

Dover, DE—Insurance Commissioner Karen Weldin Stewart recommends that all Delawareans should have a plan for financial stability in retirement, outside of relying on Social Security alone. Individuals are suggested to formulate or review their retirement income strategy during *National Retirement Planning Week*, April 7-11, and consider if an annuity might be a beneficial addition to their retirement plans.

Commissioner Stewart stated, “Annuities are popular for people seeking a steady and reliable income after retirement but today’s market offers a wide range of annuities with varying degrees of risk. While an annuity can be beneficial they can also be very complex. It’s important that consumers research all of their options before signing any kind of contract.”

*Is an annuity right for you? If you are thinking about buying an annuity, the National Association of Insurance Commissioners (NAIC) and the Delaware Department of Insurance offers the following information to help determine if an annuity is right for you.*

**Annuity Basics:** An annuity is a contract in which an insurance company agrees to make a series of payments in return for a premium (or premiums) that you have paid. Many consumers buy annuities so that they will have a regular income after they retire. An annuity is an investment and shouldn’t be used to reach a short-term financial goal. Buying an annuity may or may not be right for you. Contact a licensed agent or broker

to be sure an annuity is the right choice for your financial future. If you have questions regarding retirement planning, you should consult a reputable financial planner to make sure you are on target to meet your goals.

There are several types of annuities, all of which carry varying levels of risk and guarantees. To find the annuity that will best suit your needs, it is important to know the difference between each and the benefits offered.

- Single Premium Annuity: You pay the insurance company only once.
- Multiple Premium Annuity: You pay the insurance company multiple payments.
- Immediate Annuity: You will begin to receive income payments no later than one year after you pay the premium.
- Deferred Annuity: After the initial savings phase, you receive income payments once you choose to receive them.
- Fixed Annuity: Your money, minus any applicable charges, earns interest at rates specified in your contract.
- Variable Annuity: The insurance company invests your money, minus any applicable charges, into a separate account based upon the amount of risk you want to take. The money can be invested in stocks, bonds, or other investments.
- Equity-Indexed Annuity: A variation of a fixed annuity in which the interest rate is based on an outside index, such as a stock market index. The annuity pays a base return, but it may be higher if the index increases.

Commissioner Stewart noted, **"If you decide that an annuity would be a good addition to your retirement income strategy it is very important that you work with a licensed, qualified agent or broker to purchase the right annuity since there are so many options. Consumers need to take the time to read all contracts in their entirety and fully understand all fees and potential charges that could be incurred. You should never feel pushed, pressured or hurried in to signing a contract."**

**Buying an Annuity:** Delaware state law requires a suitability analysis before the sale or replacement of any annuity product. This analysis includes an evaluation of your financial position, income needs and the cost of liquidating any assets. This can help you determine which annuity is right for you. You can also contact the Delaware Department of Insurance to get a list of the information your agent or broker should provide before you make a decision.

Just as with other major purchases and investments, it's a good idea to shop around and compare information for similar products from several companies. While you do your research, keep detailed records and get all quotes and key information in writing.

When you are ready to purchase an annuity, carefully review the contract with your agent or broker. Ask for an explanation of anything that you don't understand. Be sure you are aware of all of the terms and conditions such as surrender charges and/or cancellation penalties.

After purchasing an annuity you are entitled to a "free look" period, which ranges from 10-15 days in Delaware, to review the annuity contract after purchase. If you decide during that time that you no longer want the annuity, you can cancel for a full refund. The free look period will be prominently stated on the front cover of your contract.

**Don't Be Pressured:** Unfortunately, some insurance providers use inappropriate sales practices in an attempt to take advantage of consumers with limited knowledge of complex financial and insurance products. Beware of any agents who pressure you into buying a product quickly or presents you with a deal that seems too good to be true. You should always research the agent and company with which you're considering doing business. Consumers can use the free Licensee Lookup online verification service on the Department of Insurance website to confirm the license status of an agent at

[www.delawareinsurance.gov/services/licenseelookup.shtml](http://www.delawareinsurance.gov/services/licenseelookup.shtml)

For more tips and info about annuities, including a list of questions to ask anyone who is attempting to sell you an annuity, please visit the Department of Insurance website at <http://delawareinsurance.gov/departments/consumer/annuities.shtml>. Consumers may also call the Consumer Services Division at 1-800-282-8611 for help with additional questions or concerns.

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Delaware Department of Insurance: "Protecting Delawareans through regulation and education while providing oversight of the insurance industry to best serve the public."